

**The City of Lynchburg
Review of Bank One Credit Card Purchases
Emergency Communications
August 4, 2005**



Prepared by the Department of Internal Audit

Introduction

The Department of Internal Audit performs reviews of charge card purchases throughout the City on a routine basis. These audits are performed on records of departments or sub-departments that are selected with the goal of providing city-wide coverage and continuous monitoring of the expenses.

Departments are responsible for printing bi-weekly statements from Bank One's electronic report generation system, reconciling receipts/charge slips to the bi-weekly transactions on the statements, entering the general ledger expense codes for each transaction into Bank One's electronic report generation system, and maintaining the detailed transactions for the time period required by the City of Lynchburg's record retention policy. Our audit of Bank One expenditures of Emergency Communications was performed as one of the regularly scheduled standard audits on the annual internal audit plan.

Review Objectives

The purpose of the review was to determine that:

- Charges are supported by an invoice;
- Invoices and/or statements are properly approved;
- Receiving documents are present (where applicable);
- Charges and payments are appropriate and accurately recorded;
- Card authorization forms are on file for employees; and
- Disputed charges and/or returns are resolved in a timely manner

Scope of Work

We interviewed personnel in Emergency Communications and reviewed support documentation for transactions posted on the reporting system during the period of 2/27/05 through 5/26/05. We tested 100% transactions for that period. We also determined the accuracy of accounting codes and the payments to Bank One for monthly departmental charges, and verified that signed employee authorization forms were on file in Procurement

The audit was conducted in accordance with professional internal auditing and generally accepted governmental auditing standards specified in the City's Internal Audit Charter and, accordingly, included such tests of records and other audit procedures as were considered necessary in the circumstances.

The Internal Audit Department is free from organizational impairments to independence in our reporting as defined by government auditing standards. We report directly to an audit committee and, administratively to the city manager and are organizationally outside the staff or line management function of the areas we audit.

Opinion On Internal Controls

The objectives of a system of internal control are to provide reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management authorization and are properly recorded.

Based on this review, it is our opinion that controls need to be strengthened to ensure that expenditures are properly approved and receipts for goods or services are maintained to provide reasonable assurance that assets are safeguarded and transactions are authorized.

Audit Conclusions

Based on the results of our review, we conclude that...

- Expenditures were adequately supported by an invoice
- Statements and Transaction Listings were not properly approved;
- Receiving documentation was on file except as noted in the “Observations & Suggestions” section of the report;
- Charges were reasonable;
- Transactions were accurately recorded except as noted in the “Observations & Suggestions” section of the report;
- Card authorization forms were on file for employees; and
- Disputed charges and/or returns were resolved in a timely manner.

Observations and Suggestions

Based on the testing of 87 transactions, the following exceptions were noted:

1. Employees are not printing statements and reconciling transactions.

Suggestion: Individual statements should be reconciled to the departmental statement. There should be individual statements in file for all departmental charges shown on the statement.

2. There was no supervisory approval on the transaction listing.

Suggestion: The Emergency Communication Administrator should review, initial and date the transaction review, at least monthly.

3. Three of eighty-seven transactions did not have a receipt of goods document present.

Suggestion: To help prevent duplicate payments, we suggest all shipping documents (receipt of goods) are dated and initialed by the person receiving the goods.

4. Six of eighty-seven transactions had incorrect expenditure codes.

Suggestion: Review the current expenditure codes in use and determine which are not appropriate.

5. Sales tax was paid on ten of the eighty-seven transactions reviewed.

Suggestion: We suggest employees be reminded of the City's tax exempt status.

6. The Emergency Communications Center did not have an internal control plan in place at the time of our review. According to City policy "each department shall develop and adhere to internal control procedures that govern card security, use, and accounting."

Suggestion: We provided the charge card coordinator with a copy of the City's Charge Card Policy and the Police Department's internal control plan.

Other Comments:

We appreciate the time and assistance received from the department's Bank One Coordinator, Sally Shaffer, during this review.

Carol J. Bibb
Director of Internal Audit

Michelle B. Kuhn
Audit Assistant